Answers

PED, XED, PES, YED – MCQs

1) 9708_M16_12_Q7

In a town, bus fares fall by 50% and this leads to an increase in bus use by 30%. The effect on car use is very low with only a 1% reduction.

What is the value of the cross-elasticity of demand between car travel and bus travel?

A –0.60 **B** –0.02 **C** +0.02 **D** +0.60

2) 9708_M16_12_Q9

What is price elasticity of supply?

A the change in the quantity supplied when a price changes

B the change in the quantity supplied when demand changes

C the comparison of the proportionate change in supply to the proportionate change in demand

D the comparison of the proportionate change in supply to the proportionate change in price

3) 9708_M16_12_Q15

A 10% tax is placed on a good.

What type of product would be most likely to face the biggest impact on its equilibrium price as a result?

A one with elastic demand

B one with inelastic demand

C one with infinite elasticity of demand

D one with unitary elasticity of demand

4) 9708_S16_11_Q7

A manufacturer progressively reduces the price of his product in an attempt to increase total revenue.

The table shows the outcome of this policy.

price ($)	total revenue 000s ($)
10	750
9	750
8	750

What is the price elasticity of demand for the product?

A perfectly inelastic

B relatively inelastic

C perfectly elastic

D unitary

5) 9708_S16_11_Q8

Public transport has an income elasticity of demand of –0.36.

What does this mean about public transport?

A It has close substitutes.

B It is a necessity.

C It is a normal good.

D It is an inferior good.

6) 9708_S16_11_Q9

The price elasticity of supply of an 'App' for a phone is perfectly elastic. The current selling price for the 'App' is $10 and 200 'Apps' are sold per day. The 'App' becomes more popular and, as a result, demand increases by 50% at every price.

What will be the outcome of the change in demand?

A The price increases by 50% and the firm's revenue increases by 50%.

B The price increases by less than 50% and the firm's revenue increases by less than 50%.

C The price stays the same and the firm's revenue increases by 50%.

D The price stays the same and the firm's revenue increases by an infinite amount.

7) 9708_S16_11_Q15

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8) 9708_S16_11_Q16

A government pays a subsidy to a country's onion producers.

With which price elasticity of demand (PED) will this action be most effective in reducing the price of onions?

A PED equals 0.

B PED is greater than 0 but less than 1.

C PED equals 1.

D PED is greater than 1 but less than infinity.

9) 9708_S16_12_Q7

The table gives estimates of the price elasticities and cross elasticities of demand for bus and rail travel.

service	elasticity with respect to the price of	
	bus travel	rail travel
bus travel	–0.37	+0.13
rail travel	+0.16	–0.43

What would be the change in the volume of rail travel resulting from a 1% increase in bus fares?

A an increase of 0.16%

B an increase of 0.43%

C a reduction of 0.13%

D a reduction of 0.37%

10) 9708_S16_12_Q8

It has been estimated that bread has an income elasticity of –0.04.

What can be concluded about bread from this information?

A It is a normal good.

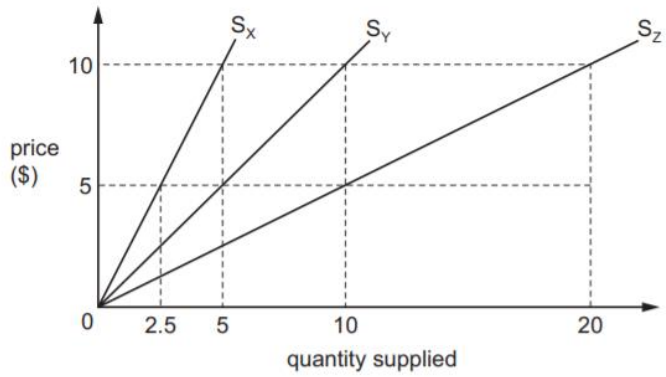
B It is an inferior good.

C It has many complements.

D It has many substitutes.

11) 9708_S16_12_Q9

S_X, S_Y and S_Z are the supply curves of goods X, Y and Z.



If the price of all three goods rises from $5 to $10, what are their price elasticity of supply values?

	good X	good Y	good Z
A	equal to 1	equal to 1	equal to 1
B	equal to 1	greater than 1	greater than 1
C	less than 1	equal to 1	greater than 1
D	less than 1	greater than 1	greater than 1

12) 9708_S16_13_Q7

In which circumstances must the total expenditure by consumers on a good increase when its price increases?

A if demand for the good is income-elastic

B if demand for the good is price-inelastic

C if the price of a complementary good also increases

D if the price of substitute goods also increases

13) 9708_S16_13_Q8

The price elasticity of demand for good X is 1. At a price of $12, quantity demanded is 4000 units.

What will be the price when the quantity demanded is 20 000 units?

A $2.00 **B** $2.40 **C** $12.00 **D** $20.00

14) 9708_S16_13_Q9

The cross-elasticity of demand of good S with respect to the price of good P is +1.5.

The cross-elasticity of demand of good S with respect to the price of good R is –1.5.

The cross-elasticity of demand of good P with respect to the price of good R is –1.5.

What can be concluded about goods P, R and S?

A S and P are complements; P and R are substitutes.

B S and P are complements; R is an inferior good.

C S and P are substitutes; P and R are complements.

D S and P are substitutes; R is an inferior good.

15) 9708_W16_11_Q7

A government imposes a tax on a good. The equilibrium price rises by the same amount as the tax.

What can be concluded about the price elasticity of demand for the good?

A It is perfectly elastic.

B It is perfectly inelastic.

C It is unitary.

D Nothing can be determined about price elasticity of demand.

16) 9708_W16_11_Q8

What can be concluded about a product which has an income elasticity of demand (YED) of –1.5 and a cross-elasticity of demand (XED) of +1.2 with another product?

	YED figure	XED figure
A	The product is an inferior good.	The other product is a complement.
B	The product is an inferior good.	The other product is a substitute.
C	The product is a normal good.	The other product is a complement.
D	The product is a normal good.	The other product is a substitute.

17) 9708_W16_11_Q9

A product has a low price elasticity of supply.

What might explain this?

A The product has a low opportunity cost.

B The product has a perishable nature.

C The product is classed as an inferior good.

D The product is considered to be a necessity.

18) 9708_W16_11_Q10

A firm is producing 100 units at price $10. The price elasticity of supply is 0.5, and price is raised to $12.

What is the new level of output?

A 75 **B** 110 **C** 125 **D** 150

19) 9708_W16_12_Q7

In which situation is the demand for a product said to be price elastic?

A A fall in price increases expenditure on the product.

B A fall in price increases quantity demanded.

C A rise in price increases expenditure on the product.

D A rise in price reduces quantity demanded.

20) 9708_W16_12_Q8

Goods X and Y are complements with a cross-elasticity of demand of –0.8.

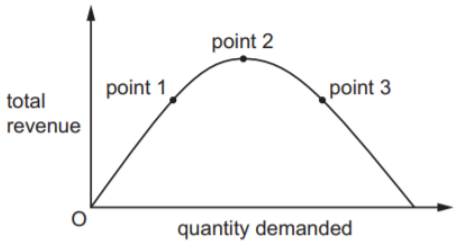
When the price of good X was $10, the quantity of good Y demanded was 2000 units per week. After a change in the price of good X, the demand for good Y increases to 2800 units per week.

What is the new price of good X?

A $5.00 **B** $6.80 **C** $13.20 **D** $15.00

21) 9708_W16_12_Q9

The diagram shows an industry's total revenue when different quantities are demanded.



Which values should be inserted at points 1, 2 and 3 to identify the price elasticity of demand (PED) at that position?

	point 1	point 2	point 3
A	PED>1	PED=0	PED<1
B	PED>1	PED=1	PED<1
C	PED<1	PED=0	PED>1
D	PED<1	PED=1	PED>1

22) 9708_W16_12_Q10

What would increase the price elasticity of supply of a firm's products?

A a decrease in the period of time that stocks can be kept

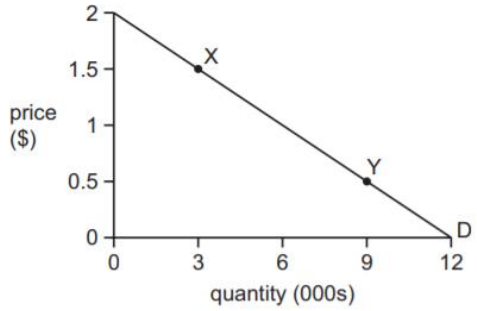
B a decrease in the time that it takes to produce the products

C an increase in the cost of capital goods employed by the firm

D an increase in the level of employment in the area

23) 9708_W16_13_Q7

The diagram shows a demand curve for pineapples.



What happens to the value of price elasticity of demand (PED) when there is a movement from point X to point Y and what describes the value at point Y?

	effect on value of PED	value of PED at Y
A	fall	elastic
B	fall	inelastic
C	rise	elastic
D	unchanged	unitary

24) 9708_W16_13_Q8

A product is an inferior good with no close substitutes. It is also a complement to good X.

Which product matches the above description?

	price elasticity of demand	income elasticity of demand	cross-elasticity of demand with respect to the price of X
A	–2	+2	+1
B	–2	+2	–1
C	–0.5	–2	+1
D	–0.5	–2	–1

25) 9708_W16_13_Q9

The table shows the quantities demanded (Q) of goods X and Y corresponding to different prices (P) of the two goods.

	P_X = \$8	P_X = \$10
P_Y = \$3	Q_X = 16, Q_Y = 20	Q_X = 12, Q_Y = 30
P_Y = \$4	Q_X = 20, Q_Y = 16	Q_X = 16, Q_Y = 24

What is the range of the value of the cross-elasticity of demand for good Y with respect to the price of good X?

A 0.75 to 1.5 **B** 1.50 to 2.4 **C** 1.66 to 2.0 **D** 1.75 to 2.5

26) 9708_W16_13_Q10

A firm estimates that the price elasticity of supply of its product is 0.4.

Should the firm be concerned by this figure?

A No, as it implies that the firm will be able to raise revenue by raising price.

B No, as it suggests there are few substitutes for the product.

C Yes, as it means that demand for its product is increasing at a slow rate.

D Yes, as it shows that the firm is not able to adjust supply easily when demand changes.

27) 9708_M17_12_Q7

The price elasticity of demand for a firm's product is equal to one for all price changes.

What would be the result of this?

A A percentage increase in price will cause demand to fall by a larger percentage.

B A percentage increase in price will cause demand to increase by the same percentage.

C Quantity demanded will always be the same whatever the price.

D The firm's revenue will always be the same whatever the price.

28) 9708_M17_12_Q8

Which change will lower the price elasticity of supply of a product?

A It becomes easier to store the product.

B Output of the product nears full capacity.

C The production process becomes less complex.

D Workers become more mobile.

29) 9708_M17_12_Q29

A country has a large current account deficit. Its government decides to devalue its currency.

In which circumstance would such a measure reduce the deficit?

	price elasticity of demand for exports	price elasticity of demand for imports
A	0.0	0.0
B	0.0	0.5
C	0.5	0.5
D	0.5	1.0

30) 9708_S17_11_Q7

Which combination is most likely to result in the demand for a product being highly price elastic?

	number of close substitutes	% of income spent on product
A	large	large
B	large	small
C	small	large
D	small	small

31) 9708_S17_11_Q8

A manufacturer increases the price of his product from $4 in an attempt to increase total revenue.

The table shows the outcome of the policy.

price ($)	total revenue 000's ($)
4	400
5	500
6	600

What is the price elasticity of demand for the product?

A perfectly elastic

B perfectly inelastic

C relatively elastic

D relatively inelastic

32) 9708_S17_11_Q9

A firm establishes that the price elasticity of supply of its product has a value of 0.3.

What is likely to be true about the firm?

A It has unused productive capacity.

B It has unsold stock of its product.

C It uses a high proportion of perishable raw materials.

D It uses factors of production that are easily substituted.

33) 9708_S17_11_Q11

Good X is a substitute for good Y and a complement to good Z.

What would happen after a fall in the price of good X?

A Only the demand for X will rise.

B Demand for X, Y and Z will rise.

C Demand for Y will fall and for Z will rise.

D Demand for Y will rise and for Z will fall.

34) 9708_S17_11_Q12

A government imposes a specific indirect tax on a product.

When will the tax cause the greatest reduction in consumer surplus for the buyers of the product?

A The product has price elastic demand and price elastic supply.

B The product has price elastic demand and price inelastic supply.

C The product has price inelastic demand and price elastic supply.

D The product has price inelastic demand and price inelastic supply.

35) 9708_S17_12_Q7

The table gives a set of price and cross-price elasticities for four commodities, W, X, Y and Z.

with respect to price of	elasticity of demand for commodity			
	W	X	Y	Z
W	–0.3	–0.5	+0.7	–1.3
X	–0.7	–1.2	+0.8	+1.6
Y	+1.3	+1.7	–3.6	+0.8
Z	–2.7	+2.6	+1.7	–0.7

Which pairs of commodities are complements?

A W and X; W and Z

B W and Y; X and Y

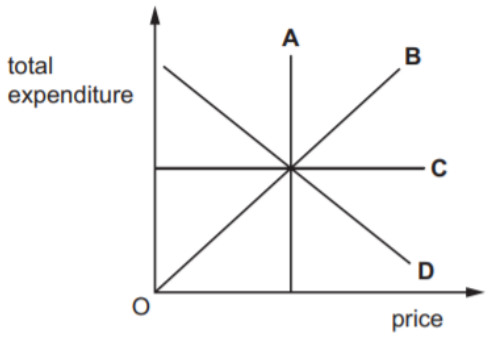
C W and Z; X and Z

D X and Y; X and Z

36) 9708_S17_12_Q8

The price elasticity of demand for a product is constant and equal to unity.

Which curve in the diagram shows the relationship between total expenditure on the product and its price?



37) 9708_S17_12_Q9

A bottle making business announced it had introduced a new production system. As a result the quantity produced per week could be increased or reduced much more easily when the price of bottles changed.

What term describes this change?

A a less elastic demand

B a less elastic supply

C a more elastic demand

D a more elastic supply

38) 9708_S17_12_Q10

The supply function for a good can be written as Q = 2P + 10, where Q is the quantity supplied in kilos and P is the price per kilo in dollars.

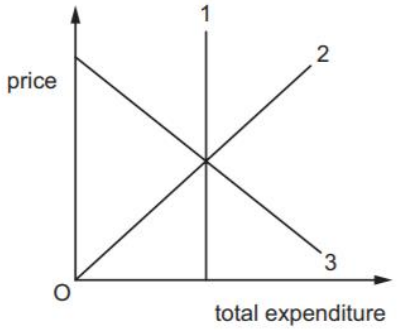
The price falls from $15 to $10 per kilo.

The value of price elasticity of supply for this price change lies in a range from

A $\frac{1}{6}$ to $\frac{1}{4}$. **B** $\frac{3}{8}$ to $\frac{1}{2}$. **C** $\frac{2}{3}$ to $\frac{3}{4}$. **D** $1\frac{1}{4}$ to $1\frac{1}{2}$.

39) 9708_S17_13_Q7

The diagram shows the relationship between total expenditure and price for three products, 1, 2 and 3.



Which curves represent the products with price elastic and unitary price elastic demand?

	elastic	unitary
A	1	2
B	2	3
C	3	1
D	3	2

40) 9708_S17_13_Q8

A firm has a perfectly elastic supply curve at the market price of $10.

Which statement about the firm is correct?

A At any price above $10 quantity supplied is zero.

B At any price below $10 quantity supplied is infinite.

C At price $10 the firm will supply any quantity.

D At price $10 the firm will break even.

41) 9708_S17_13_Q9

The supply function for a good can be written as Q = 2P + 10, where Q is the quantity supplied in kilos and P is the price per kilo in dollars.

The price rises from $10 to $15 per kilo.

The value of price elasticity of supply for this price increase lies in a range from

A $\frac{1}{6}$ to $\frac{1}{4}$. **B** $\frac{3}{8}$ to $\frac{1}{2}$. **C** $\frac{2}{3}$ to $\frac{3}{4}$. **D** $1\frac{1}{4}$ to $1\frac{1}{2}$.

42) 9708_W17_11_Q8

The table shows the price of a good and total expenditure on the good during specific periods when the market is in equilibrium.

period	price ($)	total expenditure ($)
1	12	96 000
2	5	40 000
3	8	64 000
4	10	80 000
5	4	32 000

What can be deduced from this data?

A The good has constant opportunity cost.

B The good is an inferior good.

C The price elasticity of demand is equal to one.

D The price elasticity of supply is equal to zero.

43) 9708_W17_12_Q6

In which situation is the demand for a product said to be price elastic?

A The quantity demanded responds to a change in price.

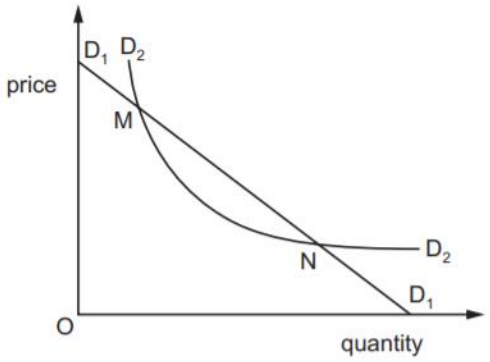
B An increase in price brings about a decrease in the quantity demanded.

C An increase in price induces consumers to spend more on the product.

D A decrease in price brings about an increase in revenue.

44) 9708_W17_12_Q7

In the diagram D_1D_1 is a straight line demand curve and D_2D_2 is a rectangular hyperbola curve.



Which statement is correct?

A D_2D_2 is more elastic than D_1D_1 at point M.

B D_2D_2 is more elastic than D_1D_1 at point N.

C The elasticity of demand increases on moving down both curves.

D The elasticity of demand is inelastic at point M on both curves.

44) 9708_W17_12_Q8

Over a four year period, as the price of new houses increases, the price elasticity of supply for new houses falls, as shown. All new houses were sold.

	supply of new houses	price of new houses ($)	price elasticity of supply
year 1	10 000	100 000	–
year 2	10 250	110 000	0.25
year 3	10 450	125 000	0.13
year 4	10 600	140 000	0.12

What shows price elasticity of supply became more inelastic from year to year?

A Dollar revenues to house builders declined each year.

B Each year, the government released more land for house building.

C The proportionate price change was greater than the proportionate supply change.

D The proportionate price change was the same as the proportionate supply change.

45) 9708_W17_13_Q6

It was estimated in 2015 that milk had an income elasticity of demand of –0.6.

What can be concluded about milk from this information?

A It accounts for only a small proportion of household expenditure.

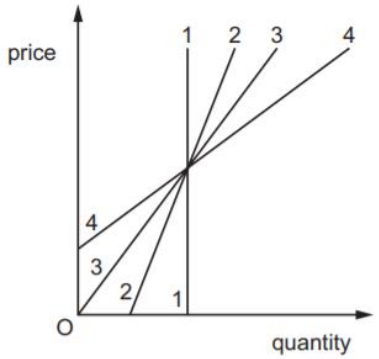
B It has very few substitutes.

C Household expenditure on milk will decrease if the price of milk increases.

D It is an inferior good.

46) 9708_W17_13_Q7

The diagram shows four supply curves.



Which statement about the price elasticities of the curves is correct?

A Curve 1 has constant infinite elasticity.

B Curve 2 has elasticity greater than curve 4 over its whole length.

C Curve 3 has increasing elasticity as price rises.

D Curve 4 has decreasing elasticity as price rises.

47) 9708_W17_13_Q8

The data shows both short-term and long-term changes in the quantities of a product that are supplied to a market in response to an increase in its price from $20 to $25 per unit.

quantity supplied at a price of $20 per unit	400 per week
quantity supplied after short-term adjustments when price rises to $25 per unit	440 per week
quantity supplied after long-term adjustments when price rises to $25 per unit	560 per week

What are the short-term and long-term price elasticities of supply for the product?

	short-term	long-term
A	0.4	1.6
B	2	8
C	2.5	0.625
D	8	32

48) 9708_W17_13_Q14

A government has introduced an effective maximum price on rice.

Which combination of changes must cause an existing shortage of rice to increase the most?

A a fall in the maximum price and a less price-elastic supply

B a fall in the maximum price and a more price-elastic supply

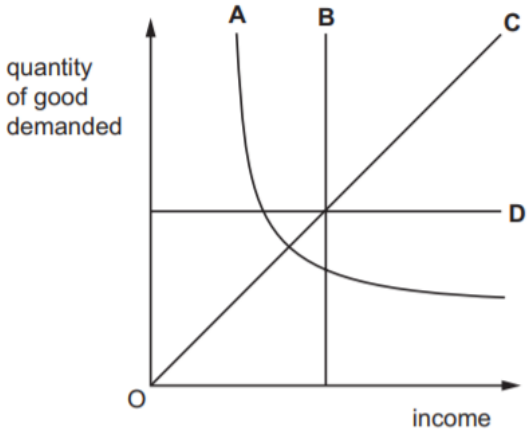
C a rise in the maximum price and a less price-elastic supply

D a rise in the maximum price and more price-elastic supply

49) 9708_M18_12_Q6

The diagram shows how the quantity demanded of four goods changes as income changes.

Which good has an income elasticity of demand which is always +1?



50) 9708_M18_12_Q7

The table shows three different prices and quantities supplied per week of two products, X and Y.

price of X ($)	quantity supplied of X	price of Y ($)	quantity supplied of Y
10	80	30	60
15	100	40	64
20	110	50	80

Which statement about price elasticity of supply (PES) is correct?

A The PES of X is elastic for a fall in its price from $15 to $10.

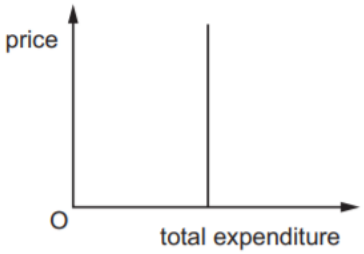
B The PES of X is unitary for a rise in its price from $15 to $20.

C The PES of Y is elastic for a fall in its price from $40 to $30.

D The PES of Y is unitary for a rise in its price from $40 to $50.

51) 9708_S18_11_Q6

The diagram shows the relationship between the price and the total expenditure on a good.



Which statement is correct?

A The income elasticity of demand for the commodity is unity.

B The income elasticity of demand for the commodity is zero.

C The price elasticity of demand for the commodity is unity.

D The price elasticity of demand for the commodity is zero.

52) 9708_S18_11_Q7

Over the last ten years the price elasticity of demand for tea in many countries has risen.

What is the most likely cause of this change in price elasticity?

A a decrease in the incomes of consumers

B a decrease in the number of complements to tea

C an increase in the amount of tea supplied

D an increase in the number of substitutes for tea

53) 9708_S18_11_Q8

What would be the price elasticity of supply of cell (mobile) phones if their price rose from US$100 to US$110 and the quantity supplied rose from 200 to 250?

A 0.2 **B** 0.4 **C** 2.5 **D** 5.0

54) 9708_S18_11_Q9

A product has a high price elasticity of supply.

What might explain this?

A The product has a high opportunity cost.

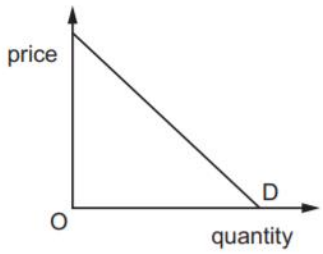
B The product has a non-perishable nature.

C The product is classed as an inferior good.

D The product is considered to be a luxury.

55) 9708_S18_12_Q6

The diagram shows the demand curve for a product.



Which statement is correct?

A Consumer expenditure on the product always rises when price falls.

B Demand is less elastic at higher prices than at lower prices.

C Price elasticity of demand differs at every price.

D Price elasticity of demand equals one at every price.

56) 9708_S18_12_Q7

The cross-elasticity of demand between two goods will be higher

A the greater the difference in price between the two goods.

B the greater the income elasticities of demand for the two goods.

C the greater the price elasticities of demand for the two goods.

D the more they are regarded as similar by consumers.

57) 9708_S18_12_Q8

The price elasticity of supply of a good is +2. The quantity supplied originally was 200 units.

The price increases by 30%.

What will the quantity supplied be after the price increase?

A 80 units **B** 140 units **C** 260 units **D** 320 units

58) 9708_S18_12_Q14

A government wishes to impose a tax on a good so that the producer and not the consumer pays most of the tax.

Which type of elasticity would it be best for the good to have to achieve this aim?

A high price elasticity of demand

B low price elasticity of demand

C totally inelastic price elasticity of demand

D unitary price elasticity of demand

59) 9708_S18_13_Q8

When the supply of a good decreases, equilibrium price stays the same.

What is the price elasticity of demand of the good?

A –1

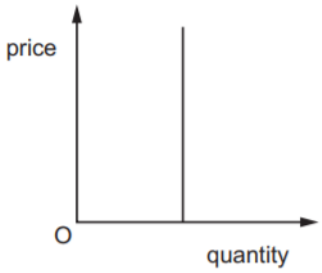
B zero

C +1

D infinite

60) 9708_S18_13_Q9

The curve in the diagram shows a relationship between the price and the quantity of a product. It has not been given a label.



What is an accurate description of the curve?

A a perfectly elastic demand curve

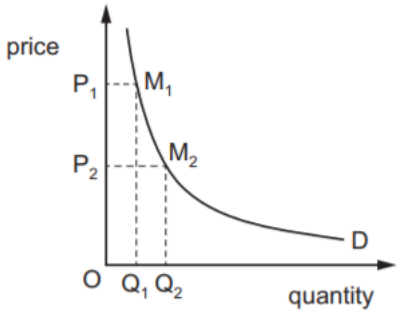
B a perfectly inelastic supply curve

C a relatively elastic supply curve

D a unitary elastic demand curve

61) 9708_W18_11_Q6

In the diagram, area $OP_1M_1Q_1$ is equal to area $OP_2M_2Q_2$.



What is the value of the price elasticity of demand if the price is halved from P_1 to P_2?

A –1

B –0.5

C zero

D infinity

62) 9708_W18_11_Q7

Which elasticity values indicate that cars are normal goods and that petrol is a complement to car use?

	income elasticity of demand (YED) for cars	cross elasticity of demand (XED) for petrol relative to changes in car prices
A	YED is negative	XED is negative
B	YED is negative	XED is positive
C	YED is positive	XED is negative
D	YED is positive	XED is positive

63) 9708_W18_11_Q8

What is it necessary to know in order to calculate the price elasticity of supply of a product when its price changes?

A the amount of the price change; the quantity demanded at the original price; the quantity supplied at the new price

B the equilibrium market price; the quantity demanded at equilibrium; the quantity supplied at equilibrium

C the original and new market price; the quantity supplied at the original price; the quantity supplied at the new price

D the quantity demanded at the new price; the price change; the quantity supplied at the new price

64) 9708_W18_11_Q9

The government fixes a minimum price for a product above the current equilibrium price.

Which value for the product's price elasticity of supply will result in the smallest excess supply in its market?

A between zero and one

B greater than one

C one

D zero

65) 9708_W18_11_Q27

Country M imposes a tariff on imports of steel.

Which price elasticity values will result in the smallest reduction in steel imports into M?

	price elasticity of supply of domestic steel producers in country M	price elasticity of demand for steel in country M
A	0.2	0.4
B	1.0	0.8
C	1.5	1.0
D	2.0	1.2

66) 9708_W18_12_Q7

Two goods X and Y have a positive cross-elasticity of demand and upward-sloping supply curves.

What will be the effect of a reduction in the price of good Y?

A The demand for good X will increase.

B The demand for good Y will decrease.

C The price of good X will decrease.

D The quantity of good X supplied will increase.

67) 9708_W18_12_Q8

Which statement best describes the meaning of price elasticity of supply?

A how much price changes when there has been a change in supply

B how much supply changes when there is a change in demand

C how much supply changes when there is a change in price

D how much supply changes when there is a change in the price of a substitute

68) 9708_W18_12_Q9

The table shows changes in a consumer's expenditure on various goods when her income increases from $20 000 to $24 000.

good	income $20 000: amount spent on good ($)	income $24 000: amount spent on good ($)
W	100	96
X	100	100
Y	200	224
Z	200	248

Assuming all else remains unchanged, for which goods is the consumer's income elasticity of demand greater than 1.0?

A W, Y and Z

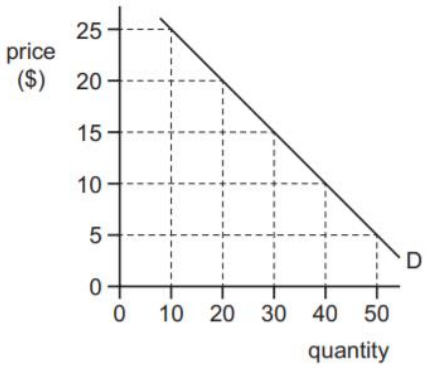
B W and Z only

C W only

D Z only

69) 9708_W18_13_Q6

The diagram shows the demand for a product for which there are only three buyers, Freeman, Hardy and Willis.



The table shows the demand from two of the three buyers.

price ($)	Freeman's demand	Hardy's demand
10	24	6
15	15	5
20	6	4

Which statement about the demand for the product from Willis is correct?

A It has unitary price elasticity of demand.

B It is a downward-sloping straight-line demand curve.

C It is a perfectly elastic demand curve.

D It is a perfectly inelastic demand curve.

70) 9708_W18_13_Q7

Which statement about price elasticity of supply is correct?

A It cannot change in the short run.

B It increases as the time period lengthens.

C It is infinite in the momentary time period.

D It is zero in the long run.

71) 9708_W18_13_Q8

At a price of $4 a manufacturer supplies 20 units of a good per week. The value of the price elasticity of supply is 2 over the range of price.

How many goods will be supplied at $5?

A 10 **B** 25 **C** 30 **D** 40

72) 9708_M19_12_Q6

A theatre increases the price of its tickets from $10 to $15. As a result, its total receipts decrease from $10 000 to $6000.

Within what range does the price elasticity of demand for theatre tickets lie?

A 0.2 to 0.5

B 0.6 to 1.0

C 1.1 to 1.4

D 1.5 to 2.0

73) 9708_M19_12_Q8

The table shows Shanaz's and Sunil's price elasticity of demand for restaurant meals and theatre tickets.

	Shanaz	Sunil
restaurant meals	–0.8	–1.2
theatre tickets	–1.3	–0.7

There is a rise in the price of restaurant meals and a fall in the price of theatre tickets.

What can be concluded after these price changes?

A Restaurant owners will receive more income.

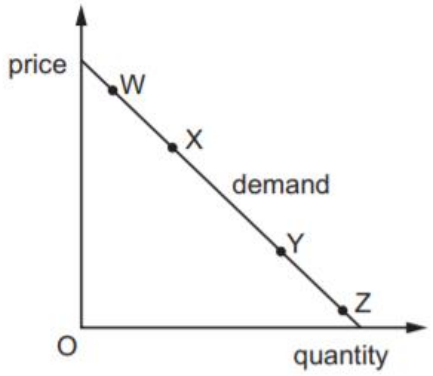
B Shanaz will spend more money on both theatre tickets and restaurant meals.

C Sunil will spend more money on both theatre tickets and restaurant meals.

D Theatre owners will receive less income.

74) 9708_M19_12_Q9

The diagram shows the demand curve for a normal product.

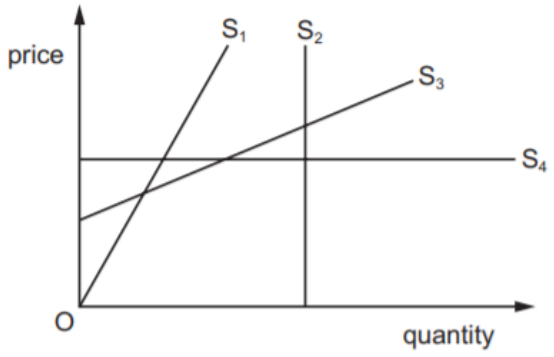


Which two points indicates a move from a price inelastic point to a less inelastic point?

A W to X **B** X to W **C** Y to Z **D** Z to Y

75) 9708_M19_12_Q12

For which supply curve is the value of price elasticity of supply **not** the same at all points on the curve?



A S_1 **B** S_2 **C** S_3 **D** S_4

76) 9708_S19_11_Q10

What is cross elasticity of demand?

A the responsiveness of price of good X due to a change in demand of good Y

B the responsiveness of quantity demanded of a good due to a change in its price

C the responsiveness of quantity demanded of good X due to a change in quantity of good Y

D the responsiveness of quantity demanded of good X due to a change in the price of good Y

77) 9708_S19_11_Q11

Consumers receive an increase in their incomes.

Which circumstances will cause the quantity of the product sold to increase the most?

	nature of the product	price elasticity of supply of the product
A	inferior good	price elastic
B	inferior good	price inelastic
C	normal good	price elastic
D	normal good	price inelastic

78) 9708_S19_11_Q13

The table shows the quantity of a product supplied at two different prices by four firms, A, B, C and D.

Which firm has a price elasticity of supply equal to 1 when the price falls from $10 to $8?

	price of product ($)	
	10	8
A	500	300
B	500	350
C	500	400
D	500	450

79) 9708_S19_12_Q9

What follows if the income elasticity of demand for a good has a value of –0.2?

A When income rises less of the good is bought.

B When income rises more of the good is bought.

C When price falls more of the good is bought.

D When price rises less of the good is bought.

80) 9708_S19_12_Q12

The cross elasticity of demand between two products, X and Y, is negative.

What would be the immediate effect of a rise in the price of product Y?

A Quantity demanded of product X will fall.

B Supply of product X will rise.

C The cross elasticity of demand will rise.

D The price of product X will rise.

81) 9708_S19_13_Q8

When is the supply curve for a car manufacturing firm **most** likely to be price elastic?

A when the firm finds it difficult to recruit new labour

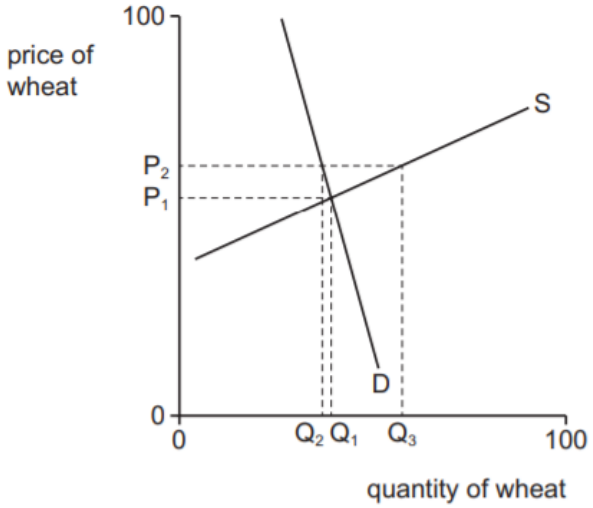
B when the firm has a large quantity of stock

C when the firm is operating in the short run

D when the firm is operating near to full capacity

82) 9708_S19_13_Q9

The diagram shows a market for wheat.



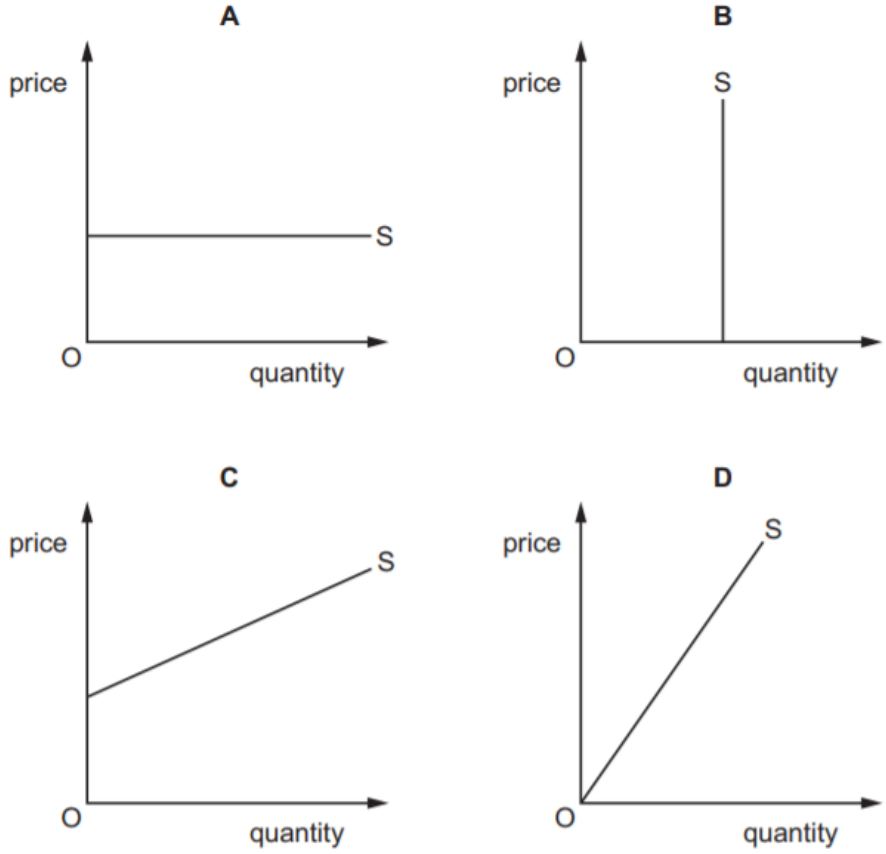
What is the response of demand for and supply of wheat when the price of wheat falls from P_2 to P_1?

	demand	supply
A	elastic	elastic
B	elastic	inelastic
C	inelastic	elastic
D	inelastic	inelastic

83) 9708_S19_13_Q12

The diagrams show the supply curves in four different markets.

In which market is the price elasticity of supply always equal to one?



84) 9708_S19_13_Q17

Doctors are concerned about the negative health effects of sugary drinks.

When would a tax on sugary drinks be **least** effective in improving health?

A when the demand for sugary drinks is income elastic

B when the demand for sugary drinks is income inelastic

C when the demand for sugary drinks is price elastic

D when the demand for sugary drinks is price inelastic

85) 9708_W19_11_Q10

Two goods, X and Y, have a cross elasticity of demand of +1.8. Good Y has an income elasticity of demand of –0.6.

An increase in both the incomes of consumers and the price of good Y will have which combination of effects?

	quantity demanded of X	quantity demanded of Y
A	fall	fall
B	fall	rise
C	rise	fall
D	rise	rise

86) 9708_W19_11_Q11 is a repeat of 67) 9708_W18_12_Q8

87) 9708_W19_11_Q13

In which situation is the demand for a product said to be price elastic?

A A fall in price increases expenditure on the product.

B A fall in price increases quantity demanded.

C A rise in price increases expenditure on the product.

D A rise in price reduces quantity demanded.

88) 9708_W19_11_Q19

When will the imposition of a tariff by a country on the goods and services of its major trading partners reduce the country's expenditure on imports?

A when the income elasticity of demand for imports is greater than 1

B when the price elasticity of demand for imports is greater than 1

C when the price elasticity of demand for imports is less than 1

D when the price elasticity of supply of imports is greater than 1

89) 9708_W19_12_Q10

A government increased a specific tax on shoes. The resulting increase in the price of shoes was paid mainly by the consumer and not by the producer.

What must be true for this to happen?

A The price elasticity of demand was less than the price elasticity of supply.

B The price elasticity of demand was unitary.

C The price elasticity of supply was less than one.

D The price elasticity of supply was inelastic while the price elasticity of demand was elastic.

90) 9708_W19_12_Q18

A subsidy is given to the producers of a good with perfectly elastic demand.

What will be the outcome?

A Consumer and producer receive equal amounts of subsidy.

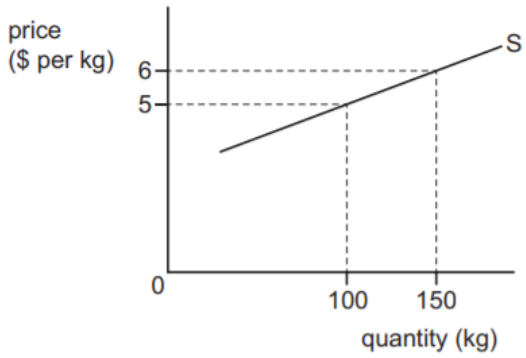
B There will be no change in price; the incidence of the subsidy will fall on the producer.

C There will be a large increase in quantity consumed; the incidence of the subsidy will fall on the consumer.

D There will be no change in the quantity consumed; the incidence of the subsidy will fall on the consumer.

91) 9708_W19_13_Q5

The diagram shows the supply curve for bananas.



What is the price elasticity of supply when there is a rise in price from $5 to $6?

A –2.5 **B** +0.4 **C** +2 **D** +2.5

92) 9708_W19_13_Q6

What causes an inelastic market supply curve for an agricultural crop such as wheat?

A a government decision to import crops at times of shortage

B an efficient use of fertilisers causing crop production to rise

C the storage of excess production for future sale

D the very long time required to produce additional output

93) 9708_W19_13_Q7

Travellers can cross the English Channel either by the Channel Tunnel or by a sea journey.

The table gives details of the passengers, in thousands, using these services between 2005 and 2015.

Between 2005 and 2015 the price of the Channel Tunnel fell and the price of sea journeys rose.

year	Channel Tunnel passengers	sea journey passengers
2005	17 005	23 693
2010	18 303	21 883
2015	20 864	21 000

What does the data suggest?

A The cross elasticity of demand between the two services is positive.

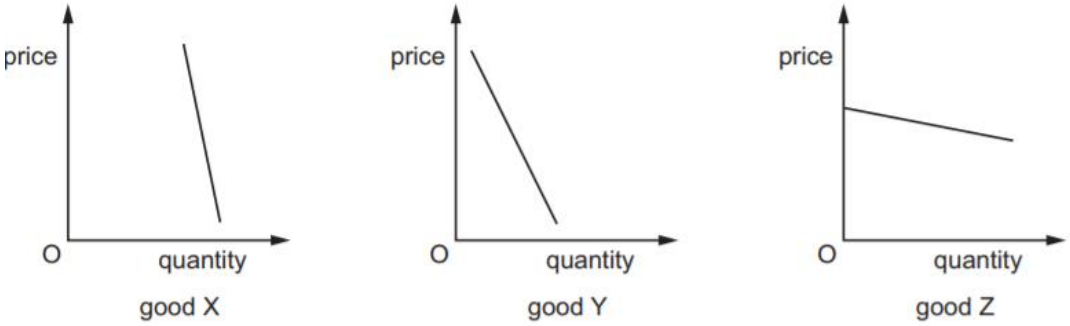
B The market for crossing the English Channel grew continuously over the period.

C The rate of decline in sea journeys accelerated over the period.

D The two services for crossing the English Channel are complementary.

94) 9708_W19_13_Q8

The diagrams represent the demand curves for three goods X, Y and Z. They are drawn to the same scale and can be used to represent the price elasticity of each good. The three goods are lamb only, all meat and all food.



Which combination of goods is likely to represent lamb only, all meat and all food?

	good X	good Y	good Z
A	food	meat	lamb
B	lamb	meat	food
C	lamb	food	meat
D	meat	lamb	food

95) 9708_W19_13_Q11

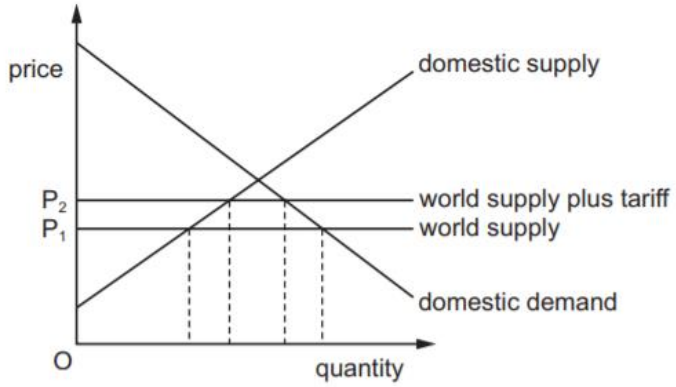
A government decides to put a tax on a good.

Which price elasticity conditions would result in most of the tax being paid by the consumer?

	demand elasticity	supply elasticity
A	elastic	elastic
B	elastic	inelastic
C	inelastic	elastic
D	inelastic	inelastic

96) 9708_W19_13_Q22

The diagram shows the effect of a tariff on a product.



From this diagram, what determines the gain the tariff generates for domestic producers?

A the price elasticities of domestic supply and demand

B the tariff rate and the price elasticities of both domestic demand and supply

C the tariff rate and the price elasticity of domestic demand

D the tariff rate and the price elasticity of domestic supply

97) 9708_W19_13_Q27

Under which conditions will an appreciation of a floating exchange rate cause the current account of the balance of payments to worsen the most?

	price elasticity of demand for imports	price elasticity of demand for exports
A	0.4	0.4
B	0.4	0.6
C	0.6	0.4
D	0.6	0.6

98) 9708_M20_12_Q5

In which circumstance will the total expenditure by consumers on a good increase when its price increases?

A Demand for the good is income elastic.

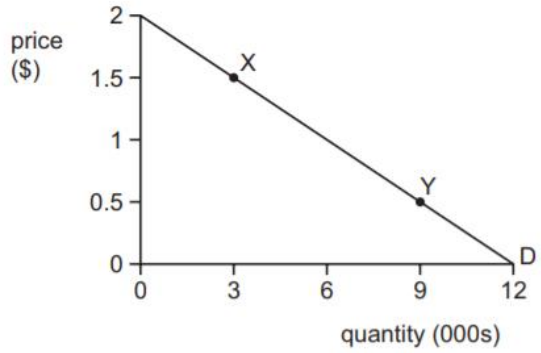
B Demand for the good is price inelastic.

C The price of a complementary good also increases.

D The price of substitute goods also increases.

99) 9708_M20_12_Q12

The diagram shows a demand curve for pineapples.



What happens to the value of price elasticity of demand (PED) when there is a movement from point X to point Y and what describes the value at point Y?

	effect on value of PED	value of PED at Y
A	fall	elastic
B	fall	inelastic
C	rise	elastic
D	unchanged	unitary

100) 9708_M20_12_Q13

Four firms produce furniture. The table shows the price elasticity of supply (PES) for each firm.

If the price of furniture rises by 5% which firm would experience an increase in quantity supplied of 2.5%?

firm	PES for furniture
A	2.5
B	2.0
C	0.6
D	0.5

101) 9708_M20_12_Q28

A country with a fixed exchange rate and a deficit in the current account of its balance of payments enters a recession. It devalues its currency in an effort to correct its balance of payments.

Under which conditions is the deficit most likely to improve?

	price elasticity of demand for imports	price elasticity of demand for exports	income elasticity of demand for imports
A	0.3	0.5	0.8
B	0.4	0.8	0.8
C	0.3	0.5	1.2
D	0.4	0.8	1.2

102) 9708_S20_11_Q10

How might a firm raise the value of the price elasticity of supply for its product?

A decrease the amount of labour that it employs

B employ new technology to increase its productive capacity

C increase advertising expenditure to generate more revenue

D reduce the level of stocks in order to cut costs

103) 9708_S20_11_Q13

The economics department of a university calculates that the price elasticity of demand for the products of a local firm is between –1.1 and –1.3.

Which decision could be justified by the research?

A Increase prices to increase profit.

B Invest in more capital to increase output.

C Reduce advertising to reduce costs.

D Reduce prices to increase revenue.

104) 9708_S20_11_Q14

A specific tax is imposed on a product for which the elasticity of supply is zero.

Which statement is correct?

A The burden of this tax will fall entirely on consumers.

B The burden of this tax will fall entirely on suppliers.

C The burden of this tax will fall mainly on consumers.

D The burden of this tax will fall mainly on suppliers.

105) 9708_S20_12_Q6

A manufacturer progressively reduces the price of his product.

The table shows the outcome of this policy.

price ($)	total revenue 000s ($)
10	750
9	750
8	750

What is the price elasticity of demand for the product?

A perfectly inelastic

B relatively inelastic

C perfectly elastic

D unitary

106) 9708_S20_12_Q8

Following the introduction of a 10% increase in charges for car parking in a city centre, the demand for bus journeys per day into the city rose from 800 to 1000.

What was the cross elasticity of demand for bus journeys with respect to car parking charges?

A –0.4 **B** +0.4 **C** +2.0 **D** +2.5

107) 9708_S20_12_Q10

A good has a price elasticity of supply of 2.0. The current quantity supplied is 300 units per week at a market price of $20 per unit. The firm raises the price to $25 per unit.

What will the new quantity supplied be per week?

A 150 units

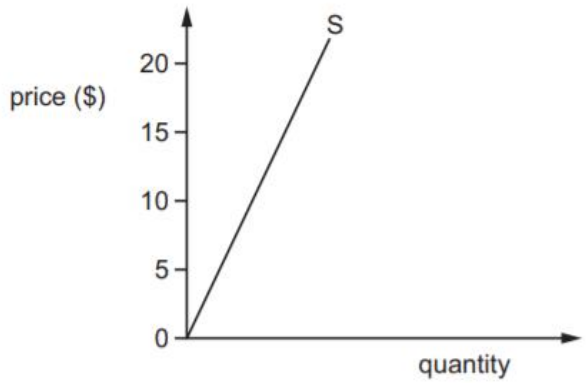
B 375 units

C 400 units

D 450 units

108) 9708_S20_12_Q12

The diagram shows the supply curve of a product.



The government imposes a specific indirect tax of $5 on the product.

How will the price elasticity of supply of the product change?

A from elastic (>1) to inelastic (<1)

B from inelastic (<1) to elastic (>1)

C from inelastic (<1) to unitary (=1)

D from unitary (=1) to elastic (>1)

109) 9708_S20_13_Q11

The supply (S) of a product is determined by the equation S = 10 + 10P when P is the price of the product in $.

What is the product's price elasticity of supply when its price rises from $1 to $2?

A 0.5 **B** 1.0 **C** 2.0 **D** 5.0

110) 9708_S20_13_Q9

The table gives estimates of the price elasticities and cross elasticities of demand for bus and rail travel.

service	elasticity with respect to the price of	
	bus travel	rail travel
bus travel	–0.37	+0.13
rail travel	+0.16	–0.43

What would be the change in the volume of rail travel resulting from a 1% increase in bus fares?

A a decrease of 0.13%

B a decrease of 0.37%

C an increase of 0.16%

D an increase of 0.43%

111) 9708_S20_13_Q13

Which combination is most likely to result in the demand for a product being highly price-elastic?

	number of close substitutes	% of income spent on product
A	large	large
B	large	small
C	small	large
D	small	small

112) 9708_W20_11_Q6

The table shows how an individual's weekly consumption of biscuits and coffee varies with income.

income ($)	biscuits (packs)	coffee (cups)
100	0	5
150	5	10

Which statement about the income elasticity of demand over the range of income shown is true?

A For biscuits it is greater than 1.

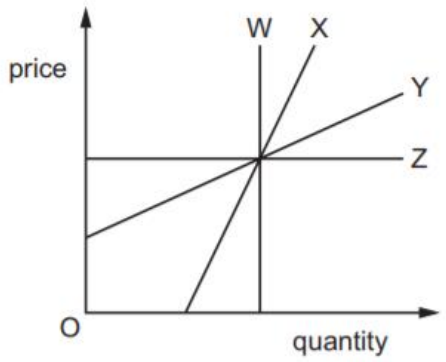
B For biscuits it is zero.

C For coffee it is less than 1.

D For coffee it is unitary.

113) 9708_W20_11_Q7

The diagram shows four supply curves.



Which statement about the price elasticity of these supply curves is correct?

A W has elasticity of 0 that will rise as price rises.

B X has elasticity greater than 1 that will be constant as price rises.

C Y has elasticity greater than 1 that will fall as price rises.

D Z has elasticity of 0 that is constant as quantity rises.

114) 9708_W20_12_Q5

In the UK, attempts to encourage people to change from road to rail travel by the introduction of a system of road pricing were forecast to have little effect because 'people like using their cars too much'.

How would this forecast be explained?

A The price elasticity of demand for cars is high.

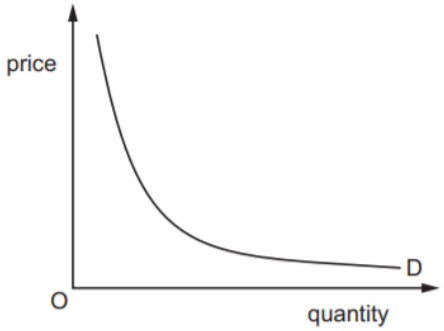
B The price elasticity of demand for petrol is high.

C The price elasticity of demand for rail travel is low.

D The price elasticity of demand for car travel is low.

115) 9708_W20_12_Q6

The diagram shows the demand curve for a product with unitary price elasticity.



What will happen with such a curve?

A A fall in price will bring about an increase in total expenditure on the product.

B A fall in price will bring about an increase in sales but a fall in total expenditure on the product.

C As the price rises, total expenditure on the product will stay the same.

D As the price rises, total expenditure on the product will rise and then fall.

116) 9708_W20_12_Q10

An increase in the popularity of air conditioning units has resulted in their price increasing by 20%. In response to this the quantity supplied increased by 30%.

What can be concluded from this?

A price elasticity of supply = 0

B price elasticity of supply < 1

C price elasticity of supply = 1

D price elasticity of supply > 1

117) 9708_W20_12_Q13

A firm estimates that the price elasticity of supply of its product is 0.4.

Should the firm be concerned by this figure?

A No, as it implies that the firm will be able to raise revenue by raising price.

B No, as it suggests there are few substitutes for the product.

C Yes, as it means that demand for its product is increasing at a slow rate.

D Yes, as it shows that the firm is not able to adjust supply easily when demand changes.

118) 9708_W20_12_Q18

The market for good X is in equilibrium. The government introduces a subsidy to the producers of good X.

Under which conditions will the total expenditure by the government on the subsidy be the greatest?

	price elasticity of demand for good X	price elasticity of supply for good X
A	<1	<1
B	<1	>1
C	>1	<1
D	>1	>1

119) 9708_W20_12_Q24

A country has a balance of payments deficit. It devalues its currency.

Which combination leads to a reduction in its balance of payments deficit in the long run?

	price elasticity of demand for exports	price elasticity of demand for imports
A	less than 0.5	less than 0.5
B	less than 1	zero (0)
C	more than 0.5	more than 0.5
D	zero (0)	less than 1

120) 9708_W20_13_Q6

Public transport in an economy has an income elasticity of demand of –0.36.

What does this mean about public transport?

A It has close substitutes.

B It is a necessity.

C It is a normal good.

D It is an inferior good.

121) 9708_W20_13_Q9

A good has a unitary price elasticity of demand and at a price of $20 a firm sells 40 000 units.

How many units will the firm sell if it charges a price of $5?

A 10 000 **B** 100 000 **C** 160 000 **D** 200 000

122) 9708_M21_12_Q10

What is the likely price elasticity of supply of highly perishable goods and goods that have low stocks?

	highly perishable goods	goods that have low stocks
A	elastic	elastic
B	elastic	inelastic
C	inelastic	elastic
D	inelastic	inelastic

123) 9708_M21_12_Q13

What is used to calculate the price elasticity of demand?

A $\frac{\text{change in price}}{\text{change in quantity demanded}}$

B $\frac{\text{change in quantity demanded}}{\text{change in price}}$

C $\frac{\text{percentage change in price}}{\text{percentage change in quantity demanded}}$

D $\frac{\text{percentage change in quantity demanded}}{\text{percentage change in price}}$

124) 9708_M21_12_Q16

The government redistributes income by raising the top rate of income tax and using the money raised to finance additional benefits to students and the unemployed.

Under which conditions will total spending in the economy increase the most?

	income elasticity of demand of top rate income taxpayers	income elasticity of demand of students and the unemployed
A	> 1	> 1
B	> 1	< 1
C	< 1	> 1
D	< 1	< 1

125) 9708_S21_12_Q5

Which statement about price elasticity of supply is correct?

A It cannot change in the short run.

B It increases as the time period lengthens.

C It is infinite in the momentary time period.

D It is zero in the long run.

126) 9708_S21_12_Q6

The price elasticity of demand for a firm's product is equal to one for all price changes.

What would be the result of this?

A A percentage increase in price will cause demand to fall by a larger percentage.

B A percentage increase in price will cause demand to increase by the same percentage.

C Quantity demanded will always be the same whatever the price.

D The firm's revenue will always be the same whatever the price.

127) 9708_S21_12_Q8

A market is in equilibrium with 100 units of the product sold at a price of US$10 each. The price elasticity of supply for the product is +2.0 and the price elasticity of demand is –1.0.

What will be the state of the market if a minimum price of US$11 is imposed?

A an excess demand of 10 units

B an excess demand of 30 units

C an excess supply of 20 units

D an excess supply of 30 units

128) 9708_S21_12_Q13

Knowledge of which combination of demand elasticities would be relevant to a firm trying to increase its revenue?

	price elasticity of demand	cross elasticity of demand	income elasticity of demand
A	✓	✓	✓
B	✓	✓	✗
C	✓	✗	✓
D	✗	✓	✓

129) 9708_S21_13_Q7

A product has a low price elasticity of supply.

What might explain this?

A The product has a low opportunity cost.

B The product is highly perishable.

C The product is classed as an inferior good.

D The product is considered to be a necessity.

130) 9708_S21_13_Q8

A car manufacturer estimates that the price elasticity of supply of its cars is +2.5.

What will be the impact of a 10% increase in price?

A a 2.5% fall in total revenue

B a 25% rise in total revenue

C a 2.5% fall in quantity supplied

D a 25% rise in quantity supplied

131) 9708_S21_13_Q13

The table gives information about the market for two models of car.

model	number of cars sold per week	cross elasticity of demand with respect to the price of petrol
1200 cc	10 000	–0.25
2000 cc	5 000	–0.50

If the prices of the cars remain unchanged, but the price of petrol increases by 100%, what will be the effect on the number of cars sold per week?

A increase by 5000

B no change

C decrease by 5000

D decrease by 15 000

132) 9708_S21_13_Q24

The world trade price of cars in country Y is US$10 000. At this price domestic car producers supply 100 000 cars to the market and domestic consumers purchase 200 000 cars. The government of country Y imposes a 10% tariff on imported cars.

Under which conditions will this tariff raise the most revenue for the government?

	price elasticity of supply of car producers in country Y	price elasticity of demand for cars in country Y
A	+0.5	–0.5
B	+0.5	–1.5
C	+1.5	–0.5
D	+1.5	–1.5

133) 9708_W21_11_Q6

When the supply of a good decreases, equilibrium price stays the same.

What is the price elasticity of demand of the good?

A –1

B zero

C +1

D infinite

134) 9708_W21_11_Q7

What can be measured by cross-elasticity of demand?

A a change in real income as a result of a change in the price of consumer goods

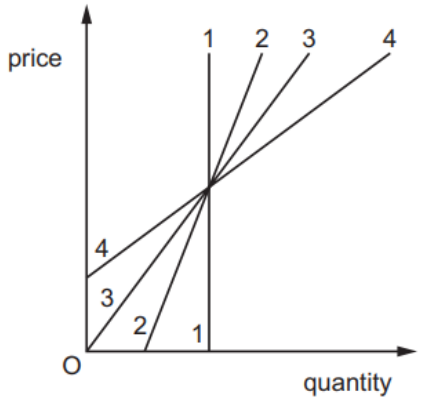
B a change in the demand for a good in response to a change in the price of a complement

C a change in the price of a good in response to a change in the demand for a substitute

D a change in the price of a good when the demand for it changes

135) 9708_W21_11_Q9

The diagram shows four supply curves.



Which statement about the price elasticities of the curves is correct?

A Curve 1 has constant infinite elasticity.

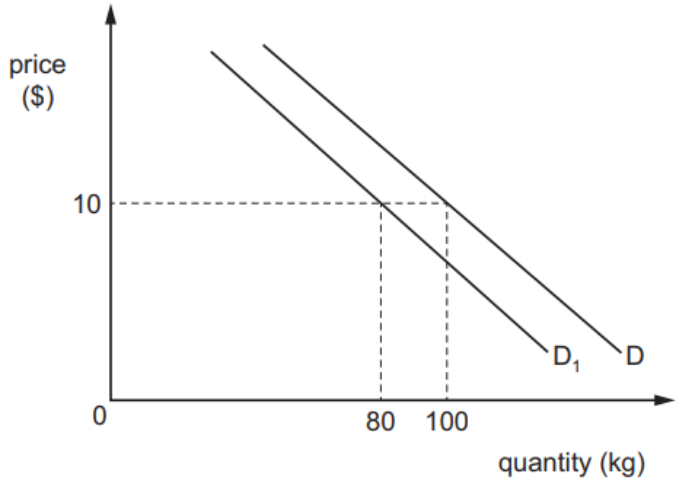
B Curve 2 has elasticity greater than curve 4 over its whole length.

C Curve 3 has increasing elasticity as price rises.

D Curve 4 has decreasing elasticity as price rises.

136) 9708_W21_11_Q13

The diagram shows how a 10% increase in consumer incomes shifts the demand for good X from D to D_1.



Which statement about good X is correct?

A It is a normal good with income elastic demand.

B It is a normal good with income inelastic demand.

C It is an inferior good with income elastic demand.

D It is an inferior good with income inelastic demand.

137) 9708_W21_12_Q5

Which supply curve shows that the price elasticity of supply of the good is always equal to 1?

A a straight line that intersects the horizontal axis

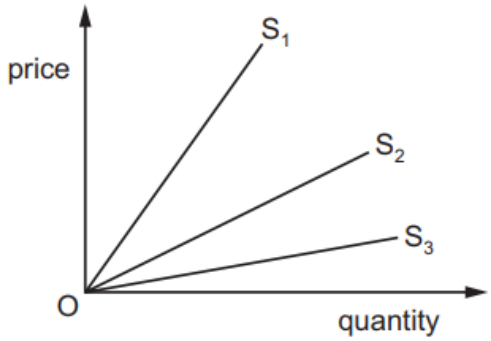
B a straight line that intersects the vertical axis

C a straight line that passes through the origin

D a straight line that is vertical to the horizontal axis

138) 9708_W21_12_Q12

The diagram shows three supply curves.



What can be concluded about the price elasticity of supply of the curves?

A As price rises, the price elasticity of supply of S_2 will increase.

B At any price, the price elasticity of supply of S_1 will be less than that of S_3.

C At any price, the price elasticity of supply of S_2 will be higher than that of S_3.

D The price elasticity of supply of each curve is constant.

139) 9708_W21_12_Q18

In an attempt to reduce crime, a government introduces a subsidy on the production of burglar alarms, but sales rise very little.

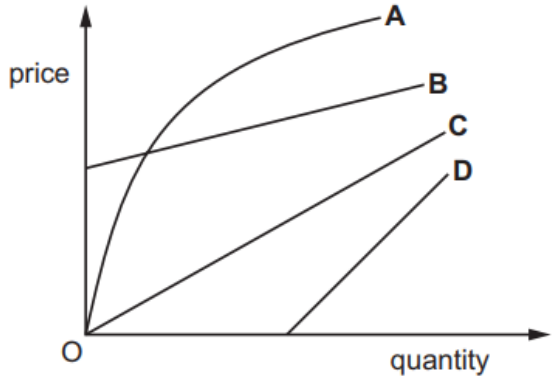
Which possible characteristics of the good would lead to this outcome?

	price elasticity of demand	price elasticity of supply
A	high	high
B	high	low
C	low	high
D	low	low

140) 9708_W21_13_Q9

The diagram shows four supply curves.

For which curve is the price elasticity of supply constant?



141) 9708_W21_13_Q10

What would be the price elasticity of demand for smartphones if their price fell from US$100 to US$90 and the quantity demanded rose from 200 to 250?

A 0.2 **B** 0.4 **C** 2.5 **D** 5.0

142) 9708_W21_13_Q13

The cross-elasticity of demand of good S with respect to the price of good P is +1.5.
The cross-elasticity of demand of good S with respect to the price of good R is –1.5.
The cross-elasticity of demand of good P with respect to the price of good R is –1.5.

What can be concluded about goods P, R and S?

A S and P are complements; P and R are substitutes.

B S and P are complements; R is an inferior good.

C S and P are substitutes; P and R are complements.

D S and P are substitutes; R is an inferior good.

143) 9708_W21_13_Q14

A government wishes to impose a tax on a good so that the consumer pays most of the tax increase.

Which type of elasticity would best achieve this aim?

A high price elasticity of supply

B low price elasticity of supply

C unitary price elasticity of supply

D perfectly inelastic price elasticity of supply

Answers

144) 9708_M22_12_Q8

What is the measure of cross-elasticity of demand for good X in terms of good Y?

A the change in the demand for X divided by the change in the price of Y

B the change in the price of X divided by the change in the demand for Y

C the percentage change in the demand for X divided by the percentage change in the price of Y

D the percentage change in the demand for Y divided by the percentage change in the price of X

145) 9708_M22_12_Q10

A firm estimates that the price elasticity of supply of its product is +1.5.

What does this indicate?

A The firm has available stock.

B The firm has no excess capacity.

C The firm operates in a competitive market.

D The firm raises its price by 10% and its total revenue increases by 15%.

146) 9708_S22_11_Q5

The producer of a good with a price-elastic demand observes that a rise in its price is accompanied by a rise in total revenue.

What might explain this?

A The good is an inferior good.

B The rise in price was due to an increase in demand for the good.

C The supply of the good was inadequate to meet the demand.

D The supply of the good was price-inelastic.

147) 9708_S22_11_Q9

What is price elasticity of supply?

A the change in the quantity supplied when a price changes

B the change in the quantity supplied when demand changes

C the comparison of the proportionate change in supply to the proportionate change in demand

D the comparison of the proportionate change in supply to the proportionate change in price

148) 9708_S22_11_Q13

What can be concluded about a good with a positive cross-price elasticity of demand?

A Its price will be sensitive to changes in prices of close substitutes.

B Its price will be sensitive to changes in quantity demanded of close substitutes.

C The quantity demanded for this good will be sensitive to changes in prices of close substitutes.

D The quantity demanded for this good will be sensitive to changes in quantity demanded of close substitutes.

149) 9708_S22_12_Q5

In which situation is the price elasticity of supply for a product most likely to be relatively low?

A Demand for the product comes from a wide range of customers.

B Producers in closely related industries can easily switch to making the product.

C Manufacture of the product requires highly skilled labour.

D The main raw material used in the production of the product is in abundant supply.

150) 9708_S22_12_Q9

What would be the most likely reason for a firm's decision to calculate the price elasticity of demand for its product?

A to provide retail statistics for the government

B to predict the change in its total revenue after it raises prices

C to calculate the firm's competitive position

D to enable the firm to complete consumer satisfaction surveys

151) 9708_S22_13_Q6

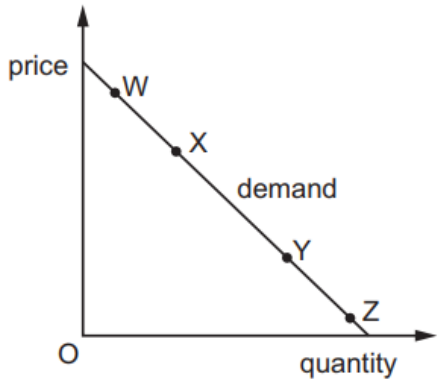
The supply of a new drug to relieve muscle pain is very inelastic over a short period of time. The supply of printed newspapers is much more elastic over the same time period.

What could explain the difference in elasticity of supply of the drug and printed newspapers in this time period?

	new drug	printed newspapers
A	cost per unit is low	cost per unit is high
B	discovery is by chance	takes longer to produce
C	research and development essential	excess capacity in printing
D	similar products available	similar products unavailable

152) 9708_S22_13_Q13

The diagram shows the demand curve for a normal product.



Which two points indicate a move from a price inelastic point to a less price inelastic point?

A W to X **B** X to W **C** Y to Z **D** Z to Y

153) 9708_W22_11_Q7

Which statement defines the price elasticity of supply?

A It is a measure of how the price of a good responds to a change in the quantity supplied.

B It is a measure of how the quantity supplied of a good responds to a change in its price.

C It is a measure of how the supply of a good responds to a change in its cost of production.

D It is a measure of how the supply of good X responds to a change in the price of good Y.

154) 9708_W22_11_Q8

Which products are likely to have a positive cross-elasticity of demand with tea?

A biscuits and cakes

B coffee and hot chocolate

C cups and saucers

D sugar and milk

155) 9708_W22_11_Q12

When is the supply curve for a car manufacturing firm **most** likely to be price elastic?

A when the firm finds it difficult to recruit new labour

B when the firm has a large quantity of stock

C when the firm is operating in the short run

D when the firm is operating near to full capacity

156) 9708_W22_11_Q17

A concert arena has a fixed capacity that allows it to sell 10 000 tickets for a concert. The current equilibrium price for a ticket is $10. The owners of the arena decide to set a minimum price for a ticket.

Under which conditions will there be the most unsold tickets?

	minimum ticket price ($)	price elasticity of demand for tickets
A	11	inelastic
B	11	elastic
C	12	inelastic
D	12	elastic

157) 9708_W22_11_Q6

An indirect tax is imposed on a product, causing total expenditure by consumers to increase.

Which row identifies this situation?

	price	price elasticity
A	decreases	elastic
B	decreases	inelastic
C	increases	elastic
D	increases	inelastic

158) 9708_W22_12_Q7

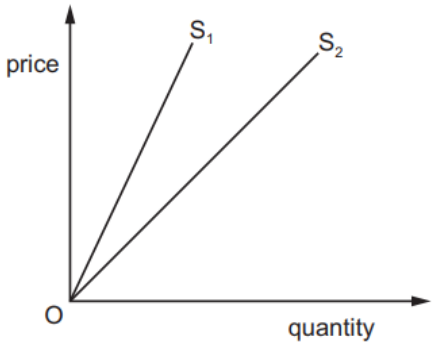
The price elasticity of the supply of yoghurt is +1.5.

If the demand for yoghurt rises and price rises by 20%, how much more will be supplied to the market?

A 0.3% **B** 3.0% **C** 13.3% **D** 30%

159) 9708_W22_12_Q9

The diagram shows two linear supply curves labelled S_1 and S_2, where S_2 is a 45° line.



Which statement about the price elasticity of supply is correct?

A The price elasticity of supply is different at every point along both S_1 and S_2.

B The price elasticity of supply of S_1 is elastic and S_2 is unit elastic.

C The price elasticity of supply of S_1 is inelastic and S_2 is unit elastic.

D The price elasticity of supply is unit elastic at every point along both S_1 and S_2.

160) 9708_W22_12_Q12

A product has a high price elasticity of supply.

What might explain this?

A It has a high opportunity cost.

B It has a non-perishable nature.

C It is classed as an inferior good.

D It is classed as a luxury good.

161) 9708_W22_12_Q14

The table shows Lee's and Yim's price elasticity of demand for restaurant meals and cinema tickets.

	Lee	Yim
restaurant meals	–1.2	–0.8
cinema tickets	–0.7	–0.3

There is a rise in the price of both products.

What can definitely be concluded after these price changes?

A Restaurant owners will receive more income.

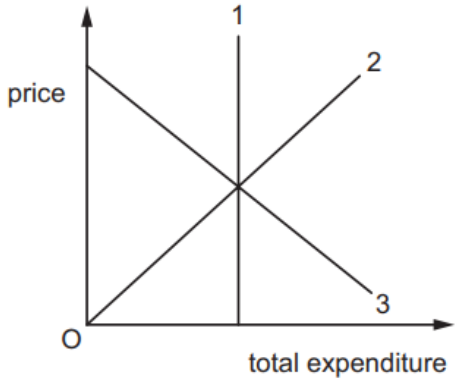
B Lee will spend more money on both products.

C Yim will spend more money on both products.

D Cinema owners will receive less income.

162) 9708_W22_13_Q8

The diagram shows the relationship between total expenditure and price for three products, 1, 2 and 3.



Which curves represent the products with price-elastic and unitary price-elastic demand?

	elastic	unitary
A	1	2
B	2	3
C	3	1
D	3	2

163) 9708_W22_13_Q9

What causes an inelastic market supply curve for an agricultural crop such as wheat?

A a government decision to import crops at times of shortage

B an efficient use of fertilisers causing crop production to rise

C the storage of excess production for future sale

D the very long time required to produce additional output

164) 9708_W22_13_Q12

Which product has the lowest price elasticity of demand?

	price rises by (%)	quantity demanded falls by (%)
A	0	10
B	5	5
C	10	5
D	10	0

165) 9708_W22_13_Q16

The market for good Z is in equilibrium with 1000 units sold at a price of $10. The government pays a subsidy of $2 per unit to producers of good Z.

Under which conditions will the total spending by the government on the subsidy be **smallest**?

	price elasticity of demand for good Z	price elasticity of supply for good Z
A	< 1	< 1
B	< 1	> 1
C	> 1	< 1
D	> 1	> 1

Answer Key

Q.No	Answer	Q.No	Answer	Q.No	Answer	Q.No	Answer	Q.No	Answer	Q.No	Answer
1	C	31	B	61	B	91	D	121	C	151	C
2	D	32	C	62	A	92	D	122	D	152	D
3	B	33	C	63	C	93	A	123	D	153	B
4	D	34	C	64	C	94	A	124	C	154	B
5	D	35	A	65	D	95	C	125	B	155	B
6	C	36	C	66	A	96	D	126	D	156	D
7	B	37	D	67	C	97	D	127	D	157	D
8	A	38	C	68	C	98	B	128	A	158	D
9	A	39	C	69	D	99	B	129	B	159	D
10	B	40	C	70	D	100	D	130	D	160	B
11	A	41	C	71	B	101	D	131	C	161	C
12	B	42	D	72	C	102	B	132	A	162	C
13	B	43	D	73	C	103	D	133	D	163	D
14	C	44	B	74	B	104	B	134	B	164	D
15	B	45	C	75	D	105	D	135	D	165	A
16	B	46	D	76	C	106	D	136	C		
17	B	47	D	77	D	107	D	137	C		
18	B	48	A	78	C	108	D	138	D		
19	A	49	B	79	C	109	A	139	D		
20	A	50	C	80	A	110	A	140	C		
21	B	51	D	81	A	111	A	141	C		
22	B	52	C	82	B	112	A	142	C		
23	B	53	D	83	C	113	C	143	A		
24	D	54	C	84	D	114	D	144	C		
25	C	55	B	85	D	115	C	145	A		
26	D	56	C	86	C	116	D	146	B		
27	D	57	D	87	A	117	D	147	D		
28	B	58	D	88	B	118	D	148	C		
29	D	59	A	89	A	119	C	149	C		
30	A	60	D	90	B	120	D	150	B		